COMMONWEALTH OF MASSACHUSETTS
BEFORE THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation into Distributed Generation) Docket No. 02-38

COMMENTS OF MEADWESTVACO CORPORATION

Pursuant to the Department's Order Opening Investigation Into Distributed Generation of June 13, 2002, MeadWestvaco Corporation ("MeadWestvaco") respectfully submits the following comments regarding the development of interconnection standards and practices that do not threaten the reliability or safety of existing distribution systems, but do not present undue barriers to the installation of distributed generation, including without limitation cogeneration facilities located at industrial or other host facilities. MeadWestvaco urges the Department to adopt policies for standardizing interconnection agreements and procedures that encourage the development of on-site, customer-owned generation, particularly Qualifying Facilities ("QFs") under the Public Utility Regulatory Policy Act of 1978 ("PURPA"), by streamlining the procedures and minimizing the burdens for the interconnection of such generation.

I. Notices and Communications

Communications concerning this filing should be addressed as follows, and the following should be included on the official service list in this proceeding:

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II. Introduction and Executive Summary

MeadWestvaco Corporation is a Delaware corporation headquartered in Stanford, Connecticut with annual sales of $8 billion and is a leading global producer of packaging coated and specialty papers, consumer and office products and specialty chemicals. MeadWestvaco operates in 33 countries, serves customers in approximately 100 nations, employs more than 30,000 people worldwide and owns 3.5 million acres of forests managed using sustainable forest practices. In Massachusetts MeadWestvaco has a facility at South Lee, which manufactures specialty papers. MeadWestvaco is a large consumer of electric power, purchasing over 3,200,000 million kilowatt-hours of electricity annually worldwide. In addition, many of the MeadWestvaco mills have installed cogeneration and small power production facilities which are certified QFs under PURPA and/or own licensed hydroelectric facilities. All of these facilities are interconnected with the electric power grid. In 2001 MeadWestvaco generated 58.7% of its electricity requirements. Currently the facility at South Lee does not have power generation capability. However, MeadWestvaco is currently evaluating the feasibility of cogeneration which would be a QF and the results of this proceeding will have a significant impact on the ultimate decision and the continued viability of this facility.

MeadWestvaco has unique needs with respect to interconnection issues. PURPA's intent is to promote the development of qualifying cogeneration and small power production facilities; the Department's interconnection rules and policies should respect and encourage, not interfere with, that intent.

MeadWestvaco generally supports the Department's efforts to standardize interconnection procedures and agreements. Such standardization, if fair and reasonable should serve to facilitate the development of distributed generating resources, as well as curb discriminatory practices of distribution providers. It is imperative that any rules, procedures or agreement ultimately adopted by the Department not interfere with industrial manufacturing processes or impede the development by industrial consumers of generation projects (consistent with PURPA's intent and the emphasis of the Department of Energy ("DOE") on the development of combined heat and power ("CHP") projects), including their interconnection, directly or indirectly, with the electrical transmission or distribution grid. To that end, MeadWestvaco focuses its comments on aspects of generator interconnection that are unique to the needs of industrial consumers that are on-site generators, in particular those that are QFs. QFs and other on-site generators are a highly efficient, reliable and environmentally attractive source of generation that the Department should encourage.

The Department should adopt in this proceeding standard interconnection agreement and procedures that recognize the unique aspects of QFs in a number of ways. First, existing QFs should not be subject to any new or increased interconnection requirements: once interconnected, always interconnected. The distribution provider with which the QF is

interconnected should not be permitted to impose new requirements or burdens when an existing QF power purchase agreement expires.

Second, for small QFs, *i.e.*, those non-merchant plants under 50 MW, the interconnection process should be quick and simple. Any jurisdictional issues between Federal Energy Regulatory Commission ("FERC") and the Department should be resolved in advance to avoid a case by case analysis and review which is time-consuming and costly to small generators. FERC issued a Notice of Proposed Rulemaking on Standardizing Generator Interconnection Agreements on April 24, 2002, in Docket No. RM02-1-000[1] The procedures and agreement adopted in this proceeding must be compatible with those procedures and agreement adopted by FERC. Incompatible or inconsistent procedures will create a major barrier for small QFs. The application for an interconnection, the studies prior to interconnection, and any interconnection agreement should be simpler for small QFs than those for larger generators. Also, the distribution provider should expedite the procedure for small QFs from application to construction. An interconnection process designed solely for larger, merchant generators would become particularly expensive and burdensome for non-merchant small generators, discouraging industrials such as MeadWestvaco from bringing more energy-efficient cogeneration on-line. MeadWestvaco also urges the Department to adopt a size threshold of 50 MW, rather than 5 MW under current NEPOOL procedures. A 50-MW threshold will expand the number of small generators eligible for fast-track interconnection processing without having a material impact on the electrical grid.

Third, the interconnection procedures and agreement should take into account the requirements of the plant that a QF serves (the "Host Plant"). The safety of a Host Plant's employees and the protection of the Host Plant's machinery and equipment require that QFs not be subject to the same rules as merchant generators, such as standard rules on redispatch, control, interruption, curtailment, and reduction in electric service. Because the operations of a QF are highly integrated with those of the Host Plant, the QF should be exempt from these rules (absent a mutually agreed-upon protocol with the distribution company and/or transmission provider) so as not to impair the Host Plant's industrial, manufacturing, commercial or service operations or processes.

Fourth, because Host Plants often rely on retail electric service over the interconnection, the interconnection agreement and procedures applicable to such an interconnection should not hinder that service.

Fifth, the interconnection agreement and procedures should recognize the unique position of on-site generators (QFs and others) by accounting for such generators' impact on the system on a *net* basis rather than a *gross* basis. A significant amount of on-site generators' output is used by the generators' Host Plant and never reaches the grid. Accordingly, it would be unreasonable and unduly discriminatory to require such generators to contribute to system costs on the basis of their entire (gross) load, rather than on the amount that actually uses the system (the net load). Using gross load as a billing determinant also adversely affects the

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[1] *Standardization of Generator Interconnection Agreements and Procedures,* 99 FERC ¶61,086, FERC Stats. & Regs. ¶ 32,560 (2002).

economics of new cogeneration projects and may impede the development of new, reliable, environmentally-friendly generation. In the context of interconnection procedures and agreements, any studies required by the standardized interconnection procedures should not assume that the entire capacity of an on-site generator will be sold into the system or that the entire load of an on-site generator will be served by system resources. System-wide costs, such as grid management charges, should be allocated on a net basis so that on-site generators bear only those costs associated with their use of the transmission or distribution system, and should be based on average (not peak) usage.

Finally, the Department should incorporate these more QF friendly standardized interconnection procedures and agreements into the Department's regulations under 220 CMR 8.00 et seq. ("PURPA Regulations") as most recently amended in DTE 99-38 (December 27, 1999). In that proceeding the Order indicates comments only from distribution companies and a single wholesale generator. No existing or potential small QF generator provided comments. The Department must recognize that participation in such proceedings by on site generators is a costly procedure and a barrier that has often resulted in adoption of regulations and procedures that fail to recognize interests of parties that are not exclusively in the electricity industry.

III. Description and Interests of MeadWestvaco

A. Description of MeadWestvaco

MeadWestvaco Corporation is a Delaware corporation headquartered in Stanford, Connecticut with annual sales of $8 billion and is a leading global producer of packaging coated and specialty papers, consumer and office products and specialty chemicals. MeadWestvaco

operates in 33 countries, serves customers in approximately 100 nations, employs more than 30,000 people worldwide and owns 3.5 million acres of forests managed using sustainable forest practices. In Massachusetts MeadWestvaco has a facility at South Lee, which manufactures specialty papers. MeadWestvaco is a large consumer of electric power, purchasing over 3,200,000 million kilowatt-hours of electricity annually worldwide. In addition, many of the MeadWestvaco mills have installed cogeneration and small power production facilities which are certified QFs under PURPA and/or own licensed hydroelectric facilities. All of these facilities are interconnected with the electric power grid. In 2001 MeadWestvaco generated 58.7% of its electricity requirements. Currently the facility at South Lee does not have power generation capability. However, MeadWestvaco is currently evaluating the feasibility of cogeneration which would be a QF and the results of this proceeding will have a significant impact on the ultimate decision and the continued viability of this facility.

For decades, the paper and forest products industry has self-provided the majority of its industrial energy needs. Paper mills, for example, have run their paper production processes using electricity largely supplied by mill-operated, on-site electric generators. The Industry has utilized both by-product fuels (such as liquor, hog fuels, bark, and wood chips) and purchased fuels (such as natural gas and fuel oil) to produce steam and electricity used in its manufacturing processes.

In recent years, consistent with the intent of PURPA, MeadWestvaco has satisfied more than half of its electrical power demands..[2] Cogeneration, or combined heat and power

[2] MeadWestvaco produces nearly 144,000,000 MMBtus of energy from biomass fuels.

(CHP), is the process of sequential generation of electricity, useful heat or steam and, sometimes, mechanical energy. It is generally about twice as efficient as traditional fossil fuel-fired utility generation and is made possible at its basic level because of an industrial or commercial business's need for the non-electrical energy output. Power production by cogeneration facilities also results in benefits to the environment. Through the sequential production of useful heat and electric energy, cogeneration results in fewer pollutant emissions. Cogeneration technologies also make use of diverse fuel resources, thus lessening the nation's dependence on foreign oil and limited supplies of fossil fuels. Additionally, cogeneration units are typically relatively small in size and geographically dispersed. Any emissions from such units are therefore limited and widely dispersed. Their wide dispersion throughout the grid, often adjacent to electric loads, also means greater efficiency through reduced line losses, and improved system reliability through less dependence upon any one generation unit. Their smaller size also allows for continual adaptation to, and adoption of, improving technologies. For these reasons, cogeneration has been a successful addition to the Nation's power supply portfolio and has made a significant contribution to the reliability of the electrical grid.

B. Cogeneration in the Open Access World: Recognizing the Unique Needs of On-Site Generators Integrated with the Manufacturing Process

The Department has noted that each distribution company has adopted its own interconnection standards under PURPA Regulations. Order at 3. In D.T.E. 01-54, at 11 the Department noted that "[t]he lack of uniformity and uncertainty regarding interconnection standards and back-up rates could be inhibiting the installation of distributed generation in

Massachusetts. MeadWestvaco agrees with the Department's observation. Thus, an expedited standardized procedure is critical for small non-merchant on site generation. The fact that there has been approximately 4,000 megawatts ("MW") of new merchant generation interconnected in the New England region since 1997, and approximately 6,000 MW under construction in the region and due in service by the end of 2002 (ISO-New England Comments to FERC in Docket No. RM02-1-000 at 1 June 17, 2002) does not indicate that the current interconnection standards and procedures in the New England region are appropriate for small non-merchant generation up to 50 MW. Little if any of the new interconnections relate to such small generation. Standardized interconnection agreements and procedures should foster the development of distributed generation and a more price responsive competitive wholesale and retail electricity market through opening up the transmission and distribution system.

MeadWestvaco supports the Department's efforts to open up the electric grid so that consumers have meaningful choices in their electricity supplies. As the Department adopts new rules, however, it must recognize the significant operational differences between on-site, customer-owned generators (in particular QFs and other cogenerators) and merchant and utility generators. Not recognizing those differences could result in adverse financial and operational consequences for industrials and frustrate the intent of PURPA to encourage cogeneration, and also the Administration's current efforts to increase generation from CHP.[3]

[3] *See, e.g.*, Report of the National Energy Policy Development Group (May 16, 2001), at 4-7, 6-14, and Summary Appendix (recommending the promotion of CHP projects).

Small cogenerators like those operated by MeadWestvaco clearly are unique. For example, in contrast to a merchant power plant's primary function of selling power into the wholesale markets, an on-site generator's primary function is to support its host facility by providing electric power and steam or other useful thermal energy for the manufacturing process. While the on-site generator may have surplus power available to sell to the market, its primary business objective is to meet the energy needs (electricity and thermal) of the Host Plant. On-site generators' operations are highly integrated with the Host Plant's manufacturing and other business processes in a way that merchant and utility plants are not. While merchant and utility power plants typically can be ramped up and down to meet the needs of the wholesale markets, an on-site generator's operations are tied to the Host-Plant's operating needs; market-driven ramping of the on-site generator up and down will interfere with, disrupt and adversely affect the manufacturing process. On-site generators that may have power available to sell into wholesale power markets therefore require different operational rules. Bills before conference committees in Congress also recognize the importance of cogeneration by tax incentives.

As market rules and structures – including those of independent system operators ("ISOs") and regional transmission organizations ("RTOs") – have developed in the open-access regime, on-site generators have been subject to burdensome and discriminatory requirements that tend to impede the development of new generation and interfere with the manufacturing process. Not only does this result in the loss of new generation resources becoming available to the market, it is contrary to the mandates of PURPA and the

Administration's policy on CHP, which seek to encourage the development of environmentally-friendly, efficient cogeneration.

For example, new ISO and RTO rules typically require that generators – including on-site generation serving primarily a host facility – be subject to automatic control and redispatch by the ISO or RTO. However, such a requirement completely ignores the fact that the operation of on-site generators such as QFs is integrated with the manufacturing or other host business processes. Changes to the on-site generation dispatch may have an adverse effect on the host facility's non-utility operations.

As to pricing, loads served by on-site generation and on-site generators selling surplus power into the markets have been assessed system-wide costs (such as grid management charges) based on the entire load or entire capacity. Such costs have been imposed on the gross, or entire, load even when that load is served by on-site generation and thus does not use or draw on the system. In such a case, the load should be charged only on a net basis (*i.e.*, total load less that served by on-site generation). Similarly, on-site generation interconnecting with the transmission grid in order to be able to sell surplus power into the market has been assessed system charges based on the entire, or gross, capacity of the generator, even though the generator primarily serves the local host load. Such a generator should be assessed system costs only on the basis of its actual use of the system – *i.e.*, on a net basis (total capacity less capacity used locally). Any other pricing regime subjects such load and capacity to costs that they did not cause or incur and is thus discriminatory.

The Department should recognize that any rules on generator redispatch must accommodate the unique status of on-site generators, in particular QFs. Absent mutually agreed plant-specific protocols between the on-site generator and the transmission provider (ISO, RTO or otherwise), on-site generators serving a Host Plant must not be subject to immediate or automatic dispatch by an RTO or an ISO. Similarly, QFs must not be subject to the same operational requirements as merchant power plants where such requirements would interfere with the manufacturing process.

In these comments, MeadWestvaco urges the Department to adopt policies that foster the continued development of cogeneration and other on-site generation and recognize their unique nature and value. These generating resources bring a host of benefits to the electrical system – increased efficiency, enhanced reliability, improved technologies, and decreased pollution. Consistent with the intent of PURPA, the interconnection process should be designed to encourage such development, rather than impede it through unnecessary, burdensome or discriminatory requirements.

IV. Comments

A. Interconnection Agreements for QFs

Host Plants rely on QFs and other on-site generation for their energy (both electric and thermal) needs. However, they are not primarily energy companies. Their role in the generation process is secondary to their primary manufacturing or other industrial processes. As a result, complex interconnection requirements tend to impose disproportionately large burdens on them compared to typical wholesale merchant generators or utility generators.

On-site generators also do not have the same kind of impact on the electrical system as typical wholesale merchants because on-site generating units typically are relatively small. There is little risk of reliability problems due to the interconnection of small generators. Thus, the interconnection of small generating facilities must have streamlined procedures in place for administering interconnection requests.

In order to minimize the burdens on on-site generators and enable them to bring new generating resources on-line as quickly and efficiently as possible, MeadWestvaco recommends that the Department adopt the interconnection agreement requirements set forth below. It bears emphasizing that these provisions are consistent with, and indeed promote, the intent underlying PURPA and the Administration's support of CHP projects.

Existing QFs. No interconnection agreement should be required for existing QFs. There is no reason to impose new burdens on existing QFs. They are currently interconnected with the electrical grid; in many cases, they have been interconnected for decades. No useful purpose would be served in forcing existing QFs that already are interconnected to undergo the interconnection agreement process. Even when an existing QF power purchase agreement ("PPA") expires, there is no reason to impose new burdens on the QF. MeadWestvaco recognizes that it may be necessary for an existing QF to sign a *pro forma* service agreement solely for the administrative purpose of formally placing the QF under the applicable tariff. In such a case, no new obligations, such as new costs or system studies, should be imposed on the QF as a result of executing a *pro forma* service agreement; nor should delays result from such execution.

New QFs. For new QFs, no interconnection agreement should be required for those projects that are below a certain threshold size. MeadWestvaco believes that a 50-MW exemption would cover most new QFs located on industrial sites.[4] Alternatively, the exemption for new QFs should be no less than 25 MW. Only a *pro forma* service agreement should be required, if at all.

Expanded QFs. Similarly, no interconnection agreement should be required for the expansion of existing QFs by 50 MW or less. However, if it is necessary for a QF with expanded capacity to sign a *pro forma* service agreement as part of an expansion, then no new obligations should be imposed on the QF as a result of executing the service agreement.

No Deliveries to Grid. Regardless of the size of the QF, no interconnection agreement should be required if the QF will not be physically delivering power to the grid (whether because no sales are made, or because the QF is a net purchaser and thus delivers no power to the grid). There likely will be instances when power inadvertently will flow to the grid during, for example, times of process upset. Such inadvertent, intermittent flows should not form the basis for requiring an interconnection agreement.

B. Expedited Procedures for Small Generators

As with the interconnection agreement, MeadWestvaco urges the Department to adopt interconnection procedures that foster, not impede, the development of new generating

[4] See discussion below (section IV.B) regarding the appropriate size threshold to be used (50 MW).

resources by industrial consumers. MeadWestvaco strongly supports an expedited standardized interconnection procedures for small generators (with the appropriate size threshold).

Size Threshold. MeadWestvaco believes that the threshold for small generators should be 50 MW.[5] Allowing modified procedures for facilities at or below the 50-MW level would provide on-site generators the necessary flexibility in planning projects while not having a significant impact on the transmission or distribution system. Insofar as the impact of a 50-MW plant would be significant, the procedures should provide flexibility to address such impacts. MeadWestvaco supports an expedited procedure which includes the exclusion of a system impact study.

Costs of Studies and Upgrades. MeadWestvaco believes that Small Generators should be exempt from paying for interconnection studies and network upgrades. Such an exemption fosters the Department's goal of promoting competition and economic efficiency by enabling small generators to bring much needed, more efficient generating resources on line quickly and with reduced costs. The burdens that would be imposed on the generator if the full-blown costs were applied to these projects could tend to stifle the projects, even if the deposits were

[5] In the FERC NOPR a Small Generator is defined as a unit 20 MW or below or aggregations of interconnecting Facilities at a single Point of Interconnection totaling 20 MW or below. Small Generators are eligible for expedited procedures. NOPR IP § 14.4. MeadWestvaco supports expedited procedures for Small Generators, but, as set forth above, believes the threshold should 50 MW (or, alternatively, at least 25 MW). A 50-MW threshold should accommodate most new on-site QF projects. MeadWestvaco emphasizes that the threshold should be based on the *net* amount of generation made available to the grid, as measured over a reasonable period of time (*e.g.*, a month).

waived. Such burdens would frustrate the intent of PURPA to increase the economic competitiveness of QFs.

At a bare minimum, the Distribution Company must be required to affirmatively demonstrate that the cost of any studies would exceed a minimum threshold before the Distribution Company may assess a charge for the studies. The burden of demonstrating that the Distribution Company is entitled to impose a charge should be on the Distribution Company. In no event should the Distribution Company delay the processing of the interconnection request and studies if it seeks to demonstrate that it should recover study costs from a Small Generator.

MeadWestvaco therefore proposes that the following language, be included in any procedure:

> Small Generators, including those owned by Transmission Providers or their affiliates, will be exempt from paying for interconnection studies or network upgrades.

Queue Position. MeadWestvaco is concerned that a single queue for Small Generators and large generators will create undue burdens and delays for small generators. In a single queue a Small Generator in a queue position behind a large Generator apparently would have to wait for its Feasibility Study and Interconnection Facilities Study until after the large Generator's studies were performed or, at least, commenced. Assuming timely executed requests for the studies by the Small Generator, requiring such a wait would almost certainly violate the expedited timelines goal for Small Generator. Thus, it is appropriate and in the public interest to establish a separate queue for Small Generators to help ensure that smaller generating resources

are brought on-line quickly, thus bringing reliability and stability benefits to the grid and maximizing opportunities for efficiency.

Net Capacity / Load. Any studies required by the standard interconnection procedure should not assume that the entire capacity of an on-site generator will be sold into the grid or that the entire load of an on-site generator will be served by system resources. For the most part, the electricity produced by an on-site generator (*e.g.*, a QF) is used by the Host Plant. Only the *net* amount of electricity made available and delivered to the grid, as measured over a reasonable period of time (*e.g.*, a month), should be considered.

C. Operational Control over the Generating Resource

Because cogeneration is totally dependent on the associated production (*i.e.*, industrial, manufacturing or service) process, the owner/operator of a facility must retain control over the facility, have access to the grid (in order to buy or sell electricity) on a non-discriminatory basis, and have control over planned outages. A cogenerator's power production is highly integrated with the production process of the Host Plant. Outside control over a facility that does not recognize and preserve this integration could severely disrupt industrial production or process equipment, affect environmental compliance, and threaten worker safety. For instance, safety lock-out procedures in manufacturing require that, during a maintenance outage, all equipment that could inadvertently cause personal injury to workers be shut down and locked out. Further, a Host Plant is not able to respond to the ramping and other timing requirements a transmission operator might impose; industrial processes simply cannot be turned on and off in response to supply-demand sequences present in power generation, transmission, and dispatch.

Where a cogeneration plant serves as the primary source of steam or heat for the Host Plant's industrial process, the generator must run or the manufacturing process will be idled, resulting in financial harm and possible physical damage to the Host Plant. To address the needs of the Host Plant, several issues must be recognized.[6]

First, any requirement for a QF to share information should include a provision that on-site generators are not required to provide any information related to their industrial, manufacturing, commercial or service operations or processes that are not directly related to operation of the generator or the interconnection. There are many aspects of industrial, manufacturing, commercial or service operations or processes that potentially could be subject to this information-sharing requirement that have little or nothing to do with the legitimate needs of the Distribution Company with respect to the interconnection and generating facilities. For instance, a Host Plant may have a production schedule that results in week-by-week variations in the amount of energy required and thus the amount of electricity available to be transmitted to the grid. In that instance, a Distribution Company may reasonably request information regarding the expected amounts of electrical output, but a Distribution Company should not be entitled to information for the amount of goods produced week-by-week. Any audit or inspection rights should be restricted to only those matters directly relating to the Interconnection Facilities or

[6] FERC has indicated that Transmission Providers should take into account the differing circumstances of on-site generation, and that the interconnection agreement is the appropriate place to address limitations on Transmission Providers' redispatch authority over generation integrated with the manufacturing or other industrial process. *See, e.g., GridSouth Transco, LLC, et al.*, 96 FERC ¶ 61,067, at 61,293 (2001); *Carolina Power & Light Co., et al.*, 94 FERC ¶ 61,273, at 61,995 (2001). *But see Midwest Independent Transmission System*

Facility. Accordingly, MeadWestvaco proposes that the following italicized language be included if information is to be required from the QF: "*provided such information is directly related to the Interconnection Facilities or the Facility. Information related to industrial, manufacturing, commercial or service operations or processes served by an on-site Facility shall be presumed not to be related to the Interconnection Facilities or the Facility.*"

Second, any operating protocols or modification to such instruction in order to eliminate or minimize any adverse impact on the generating facility or the interconnection must take into account the potential adverse impacts on Generators that are on-site generators (QF and otherwise). Doing so is necessary to preserve the Host Plant's control of its operations and protect the operations or processes of the host plant. The Distribution Company should consider such adverse impacts in issuing operating instructions to the on-site Generator (QF), and should, if informed by the on-site Generator (QF), modify such instructions.

In addition, if actual operating instructions would have an adverse impact on the safety, reliability, operations, or economics of the Facility, the Generator Interconnection Facilities, or the Host Plant, the Distribution Company should fully compensate the on-site Generator (QF). MeadWestvaco thus proposes the following language be adopted:

> To the extent that the actual operating instructions ultimately provided to Generator by Distribution Company have an adverse impact on the operations or economics of the Facility, the Generator Interconnection

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Operator, Inc., et al., 97 FERC ¶ 61,326, at 62,509 (2001) (approving short-term reliability control over generation interconnected with the transmission grid).

> Facilities, or the on-site facilities served by the Generator, the Distribution Company shall compensate Generator.

Third, MeadWestvaco also proposes greater coordination between the Distribution Company and the Generator, provided that the Interconnection Agreement recognizes the safety and operational needs of a Host Plant. Any curtailment, interruption or reduction in deliveries of electricity should not adversely affect operations or processes of the Host Plant. MeadWestvaco therefore suggests that the following language be adopted:

> Notwithstanding anything to the contrary in this Agreement, no operating instructions (including dispatch or redispatch) and no curtailment, interruption or reduction in deliveries to or from the Generator shall be issued or ordered by the Distribution Company if such instruction, curtailment, interruption or reduction would adversely affect or impede any industrial, manufacturing, commercial or service operations or processes located at Generator's site.[7]

Finally, along the same lines, a definition of "Emergency Condition" should include a condition or situation that is imminently likely to cause a material adverse effect on the security of, or damage to, the Host Plant. MeadWestvaco therefore suggests that the following language be adopted from Section 13.6 of the FERC NOPR as modified in italics:

> Generator may take whatever actions or inactions with regard to the Facility or the Generator Interconnection Facilities it deems necessary during an Emergency Condition in order to (i) preserve public health and safety, (ii) preserve the reliability of the Facility or the Generator

[7] MeadWestvaco notes that Texas's restructuring statute, S.B. 7, contains a similar provision protecting the industrial manufacturing process: "No operational criteria, protocols, or other requirement established by an independent organization, including the ERCOT independent system operator, may adversely affect or impede any manufacturing or other internal process operation associated with an industrial generation facility, except to the minimum extent necessary to assure reliability of the transmission network." Public Utility Regulatory Act, § 39.151(l).

Interconnection Facilities, *(iii) preserve the operations and production processes of the on-site facilities served by the Facility, (iv)* limit or prevent damage *to the Facility, the Generator Interconnection Facilities, or the on-site facilities served by the Facility, and (v)* expedite the restoration of service.

D. Continued Interconnection

In addition to relying on self-generation to operate their industrial processes, industrials such as MeadWestvaco also rely on retail electric service. Unlike typical merchant generators, industrials use their interconnection as both seller and buyer (*i.e.*, for more than just station service). A standard set of interconnection procedures and agreement should allow a Host Plant to retain its ability to receive retail electric service (including supplementary, back-up, and maintenance power).

Moreover, existing QFs should remain interconnected upon expiration of existing QF PPAs, which typically govern the interconnection relationship between the QF and the Transmission Provider or Distribution Company. Notwithstanding the expiration of a PPA, nothing has changed from an operational perspective. There is no justification for disconnecting the QF in such a case, and indeed such disconnection would thwart PURPA's intent. The Department's interconnection rules thus should provide for continued interconnection, as discussed herein.

E. Timely and Efficient Dispute Resolution

Under exiting PURPA Regulations the Department provides the QF protection against undue delays and unreasonable interconnection cost estimates by the Distribution Company

under a discretionary complaint procedure before the Department. 220 CMR 8.04(3) and 8.08(2). MeadWestvaco urges the Department to make available a fast-track complaint procedure to resolve such disputes within thirty (30) days of filing.

F. Insurance and Liability

MeadWestvaco supports elimination of requirements for the generator to maintain insurance. MeadWestvaco is self-insured. Any requirements for insurance thus would likely be duplicative, unnecessary and burdensome.

G. Metering

Generators should not be required to install new or substantially modified telemetering equipment on existing interconnections, including those for which the Generator has requested only a capacity increase or a material modification.

H. Interconnection and Metering Costs Should Exclude Costs Recognized and Recovered in Sales Tariffs Applicable to QFs

Department PURPA Regulations recognize that only incremental costs resulting from the interconnection should be paid for by the QF. 220 CMR 8.04(7). Existing tariffs should be unbundled to separately identify such costs to avoid undue delay and unfettered discretion in the application of the proper metering and interconnection costs required for retail distribution service.

I. Backup, Maintenance and Supplemental Service Rates

MeadWestvaco notes that the existing Western Massachusetts Electric Company tariff for backup, maintenance and supplemental service, Rate PR, is

closed to new customers and will expire for existing customers on February 28, 2005 at the end of the transition period. The uncertainty regarding such charges is a significant barrier to planning and installing any on site generation that may or will require these services. Cost based rates for backup, maintenance and supplemental service that also recognize the benefits of on site generation must be adopted promptly. Such rates are mandated by PURPA. The Department's PURPA Regulations, 220 CMR 8.06 (1) provides that such service shall be supplied "…pursuant to 18 C.F.R. 292.305(b) under rate schedules applicable to all customers, regardless of whether they generate their own power." There is no factual basis to assume "that the forced outages or reduction in electricity output by all qualifying facilities on an electric utility's system will occur simultaneously or during the system peak, or both." 18 C.F.R. 292.305(c) Furthermore usage characteristics of QFs are not necessarily the same as full requirements customers. A working group of existing and potential QF developers and industrials should review these regulations and make sure that each distribution company has rates available for backup and maintenance power in compliance with 18 C.F.R. 292.305(c). Failure to have such available just and reasonable backup, maintenance and supplemental rates will inhibit the development of distributed generation.

V. Conclusion

Wherefore, MeadWestvaco Corporation respectfully requests that the Department consider these comments and take such action as requested herein.

Respectfully submitted,

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August 1, 2002